

Rental Housing Trends in the City of Vancouver

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1. *The Existing Rental Stock*

Most households in the City of Vancouver rent. The 1986 Census found that about 58% of Vancouver's 185,800 households rent rather than own. This means that, according to the method by which Statistics Canada counts households, there were about 108,000 renter and 77,800 homeowner households in 1986 (see Table 1).

How Many Renter Households Are There In Vancouver?

The 1986 census data underestimates the number of renters. No one is sure how many renter households in secondary ("illegal") suites were counted. There are also various forms of rooming house and housekeeping units, some licensed by the City and some not. How many of these did the census miss? For owner-occupied housing, however, there are few, if any, problems arriving at an accurate count.

Using Census data, a recent City of Vancouver report stated that the number of rental units increased between 1981 and 1986. This is not accurate since, in 1986, Statistics Canada for the first time counted many of the single room units in the Downtown Eastside hotels. Prior to 1986 they were

counted as "collective dwellings" because they violated the official census definition of a separate "dwelling unit." The changed definition affects at least 5,000 units. Caution must be used, therefore, in comparing the dwelling unit data in the 1986 census with the 1981 census.

Rental Stock by Type

Table 2 provides a breakdown of the rental stock by type of unit. These numbers are estimates. Much more work needs to be done using several different data bases to arrive at a better estimate.

Apartment Buildings. What is significant about Table 2 is that the purpose-built private sector rental stock (buildings constructed as rental apartments) is only about half of the City's total rental stock. The long term viability of these rental buildings ought to be a matter of serious municipal and provincial concern. The stock is aging. Few new units are being added and many buildings are being lost to demolition and conversion. The social and economic cost of replacing major losses to this segment of the rental stock would be enormous.

Secondary Suites. The next largest segment of the City's rental stock is secondary suites in the areas



zoned for single detached houses. Largely classed as "illegal" under the zoning bylaw, they represent an astonishing tribute to the ability of average people to solve their own housing problems. These suites not only help their owners afford homeownership but also provide renters with access to the seventy percent of the City prohibited to them by zoning. The fifty-year-old zoning bylaw has not reflected the post-war trend to smaller households and the very high percentage of tenant households.

About one third of all owners of detached houses have created a secondary suite. Part of this stock is seriously substandard, but much of it is relatively new. Many new detached houses on the west side of the City have the potential for a secondary suite, and virtually all new houses built on the east side include a rentable secondary suite.

Social Housing. After secondary suites, social housing is the next largest segment of Vancouver's rental sector. This stock includes all public housing, non-profit rental and housing co-operatives. The 17,000 units represent about 9 percent of all housing units in the City. Most of these units are relatively new and in good condition. They are the only part of the rental stock which is free from the impact of land and housing market inflation and speculation.

Rooming Houses. The bulk of the estimated 12,000 rooming house and housekeeping units are located

in the Downtown Eastside. Most of this stock is old and much of it is under constant threat of redevelopment. As land values around the east end of the False Creek basin increase and as the development of the former Expo '86 lands proceeds, the City could lose much of this stock.

Condos and Detached Houses. It is difficult to estimate how many condominium and single detached houses are tenant-occupied at any given time. Much depends on market conditions. This form of rental housing exists largely because of investments by wealthy individuals who will sell when market conditions are right. They may or may not be sold to owner occupiers, so the units may or may not remain rental. It is a particularly insecure form of tenancy for renters.

2. The Loss of Existing Rental Units

Rental housing is lost through demolition, conversion to other uses, and conversion to condominium ownership. The net loss of purpose-built rental apartment and rental townhouse stock is far greater than most assume it to be.

Demolitions

The City does not have an adequate system for keeping track of the demolition of rental stock. Even though the City issues demolition permits, only in some categories of structures is it possible to determine that rental units are involved.

City Council Approved Condominium Conversions

The major loss of units is through conversion. Some rental stock along major streets and in or near commercial districts is converted to non-residential uses. Most of the good quality and often affordable rental stock is lost to condominium conversion.

Conversions in the City take two forms. One requires the approval of City Council and the other does not. Municipalities in British Columbia have the authority to adopt a broad range of measures relating to conversion of rental stock to condominiums. Some municipalities do not allow any conversions. Others only permit conversions if the vacancy rate is above a certain level. The City of

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The aim is to disseminate policy relevant findings to a broad audience in a format which avoids jargon and technical details.

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Rental Housing Trends: City of Vancouver

1. Population & Housing Stock

City of Vancouver (1986 Census Data)

431,100	Population
185,800	Occupied Dwellings
58%	Renters (108,000 households)
42%	Homeowners (77,800 households)
70,200	Single Detached Houses
(38% of all dwellings)	

2. Rental Stock by Type

(estimates)

60,000	Private Rental Apartments and Townhouses
26,000	Second Suites ("illegal units")
17,000	Social Housing Units
9,000	Rooming House Units (?)
3,000	Housekeeping Units (?)
?	Condominium Units for Rent
?	Single Detached Houses for Rent

3. Private Rental Sector Starts

City of Vancouver (CMHC Data)

1981	NA	
1982	1,071	C.R.S.P.
1983	750	544
1984	846	483
1985	275	
1986	88	
1987	463	
1988	315	

4. Conversion of Rental to Condo

Units Approved for Conversion by Vancouver City Council

1981	230
1982	299
1983	166
1984	125
1985	67
1986	264
1987	376
1988	323

5. Condominium Starts

City of Vancouver (CMHC data)

1981	NA
1982	395
1983	213
1984	329
1985	1,017
1986	1,238
1987	1,513
1988	1,566

6. Single & Semi-Detached Starts

City of Vancouver (CMHC data)

1981	771
1982	574
1982	897
1982	811
1985	925
1986	1,028
1987	1,409
1988	1,519

7. Co-op & Non-Profit Housing Starts

City of Vancouver (BCHMC data)

1981	372
1982	899
1983	897
1984	881
1985	1,405
1986	795
1987	438
1988	425

8. Rental Apartment Vacancy Rate

City of Vancouver (CMHC survey data)

April 87	2.3%	1,226 units
Oct. 87	1.2%	640 units
April 88	1.0%	534 units
Oct. 88	0.5%	288 units
April 89		

9. Rental Stock Loss-CMHC Survey Results

Strata Titled rental projects sold as condos (e.g., MURBs)

(CMHC Vancouver Branch Data from Vacancy Surveys)

April 87	600 units	1987 total:
Oct. 87	1,300 units	1,900 units
April 88	1,200 units	1988 total:
Oct. 88	650 units	1,850 units
April 89		



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Vancouver allows conversions under certain circumstances.

Table 4 provides an annual summary of the number of conversions approved by City Council. The conversion of two or three hundred units in one year may seem relatively minor, but the annual rate of construction of new private sector rental stock is also very small. In 1986 and 1988 City Council approved the loss of more rental units through condominium conversions than the private sector built. In the ten year period from 1979 to 1988 the conversion of 2,462 rental units was approved.

MURB Conversions

The number of City Council approved conversions, however, is indeed minor compared to the number of conversions which do not require City Council review. If a rental apartment building was strata titled (i.e., registered as a condominium) when it was built, there is, of course, no need to seek approval for condominium conversion. This is the giant loophole in the condominium conversion legislation.

One might think that a building registered as a condominium but rented out for a period of time should not be of public concern. After all, the rental period should be seen as a bonus and the owners congratulated. Most of the units involved, however, were heavily subsidized by the taxpayer.

The MURB (Multiple Unit Residential Building) program provided substantial tax benefits to investors willing to build rental projects. It is these MURB projects which now are being converted in large numbers because subsidies were "front-end loaded" -- that is, the greatest benefits occurred in the first few years.

The subsidies were so large that MURB projects in the late 1970's and early 1980's outnumbered condominium starts. Virtually all MURBs were registered as condominiums but were rented out, at least for a few years, to take advantage of the high subsidy levels.

As Table 3 shows, the number of private sector rental starts in the early 1980's (1982 to 1984) averaged about 1,000 units per year. Condominium starts, as Table 5 indicates, averaged about 300 during the same years. After 1984 the situation was

reversed. Private rental starts since 1985 have averaged about 300 units per year while condominium starts have averaged 1,300 units per year. (Data which distinguishes between condo and rental starts was not collected prior to 1982.)

Canada Mortgage and Housing Corporation's Vancouver office conducts a survey of rental vacancies twice a year (in April and October). To do this they maintain a database of all rental projects with six or more units. In recent years each of these surveys have found many buildings which are no longer rental. They had been sold as condominium units. In both 1987 and 1988 CMHC found about 1,900 units per year in the City which were no longer rental (see Table 9). Since CMHC surveys about 80% of the projects in its database, this is only a partial measure of the actual loss of rental units. In addition to the MURB units, some of this loss may be from the private rental stock built in recent years. As long as the project was strata titled when it was built, the owner can evict the tenants and sell the units at any time.

"Deconversions" in the Single Family Stock

Rental units are lost when a homeowner decides, or is forced by municipal bylaw enforcement, to "deconvert" -- remove a second suite. Rental stock is also lost when a house with a suite is demolished and the new house has no second suite. In other parts of the country where there is a severe shortage of rental housing, provincial and municipal governments provide incentives for homeowners to add a second suite. This is the fastest and cheapest way of increasing the rental stock of a City.

3. The Supply of New Social Housing Units

As Table 7 indicates the construction of social housing units in the City has declined to the lowest levels in this decade. During the recession in the early and mid-1980's it was possible for developers of non-profit and co-op housing to find sites in the City. Since 1986 sites have been increasingly difficult to find. Vancouver's annual share of the social housing unit allocations has fallen from 1,405 in 1985 to 425 in 1988.

4. The Supply of New Private Rental Units

What are the prospects for future supply of unsubsidized private sector rental units? Not very good.

MURB, ARP and CRSP

Since the early 1970's, most private sector rental starts have been subsidized. Over the recent decade, most were also registered as condominiums to avoid municipal condominium conversion regulations. The rental units subsidized by the MURB program, the Assisted Rental Program (ARP) and the Canada Rental Supply Program (CRSP) will only be in the rental sector for a short period. The length of time depends on program regulations, local housing market conditions, and the investment strategies of the owners.

Between 1975 and 1985 the MURB, ARP and CRSP programs subsidized 23,200 rental units in the Lower Mainland. About 19,200 of these units were subsidized by the MURB and ARP program and 4,000 by the CRSP program. About 85 percent of these units were registered as condominiums at the

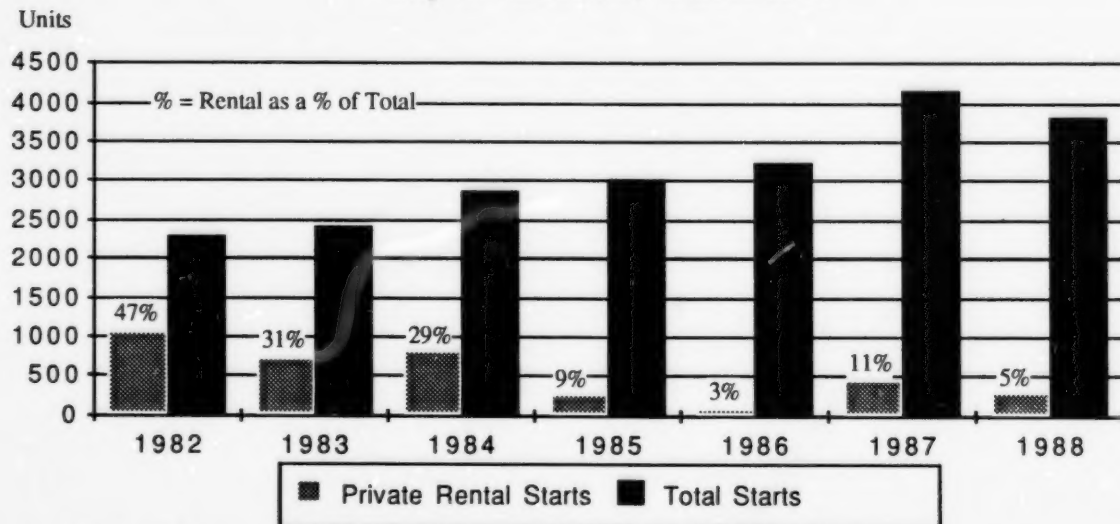
time of construction. The City of Vancouver's share of these units is: 6,790 MURB/ARP units (35% of the Vancouver region total) and 1,027 CRSP units (26% of the total CRSP units built in the region). It is the MURB rental projects which are now being lost to condominium conversion in large numbers. ARP and CRSP project owners are able to buy their way out of their CMHC commitments in order to convert.

5. The Impact of Removing Rent Controls in 1983

The federal rental supply programs were designed on the assumption that the private rental market was basically sound and that it only required temporary subsidies to help get things going.

Rent controls, in particular, were blamed for being the cause of most, if not all, of the problems of the private rental sector. Get rid of these market interferences, the theory went, and "market equilibrium" would return. The supply of rental units would begin to meet the demand. Even social housing supply programs, some argued, could be curtailed

Private Rental Starts and Total Starts
City of Vancouver, 1982 to 1988



Source: CMHC Vancouver Branch

because they were considered "unfair competition" by some condominium developers and, in any case, it was argued, the private sector is more efficient than non-profit and co-op housing developers.

Based on this theory, Vancouver's rental sector should be fine by now. Rent controls were abolished in 1983. Demand remained high, even during the recession. The market failed to respond with new supply, even after the recession ended and demand was even higher. The only measurable impact of the removal of rent controls was sharp increases in rents once the recession was over. There has been no positive supply impact.

The Problem -- Supply, Not Demand

The problem is not a lack of demand -- there is plenty of demand for rental units. It is the lack of *effective* market demand: tenants simply cannot or will not pay the rents required to make private supply of rental stock economical. Once rent levels approach the monthly mortgage costs of a modest condominium or house, tenants with enough of a down payment have every incentive to choose the ownership option. Lower income renters have no choice *and* cannot pay higher rents.

Renters have lower median income levels than owners and more renters have incomes near or below the poverty line. Rather than effective market demand, lower income renters create social need which the market cannot respond to. Supply of housing affordable to renter households, therefore, is the problem. Loss of existing affordable rental stock only adds to the problem.

Furthermore, the high and rapid economic return produced by condominium development competes with potential rental projects. Condominium investors are always able to pay more for building sites than rental investors because condominium buyers can pay and are willing to pay more than renters.

Market Failure in the Private Rental Sector

In sum, there is very little reason for believing or hoping that unsubsidized private sector supply of rental units will be viable again. There is market failure in the private rental sector. Any theories or arguments about rental policies based on the

assumption that Vancouver's rental sector is viable as a properly functioning market are simply wrong.

Rent controls, for example, are opposed by some on the basis that they distort and inhibit the functioning of market dynamics. There are no normal market dynamics to distort or inhibit any longer. The B.C. government bought this argument in the early 1980's and did everything they were supposed to do to restore the private rental sector. The experiment has lasted more than five years and has failed.

Four Rationales For Rent Regulations

Under conditions of market failure there are four rationales for rent regulations.

1) ***Security of Tenure:*** Where the rental market is not functioning normally, where vacancy rates and new rental supply are at low levels, rent regulations protect consumers who find themselves in an inferior bargaining position with their landlord.

2) ***Maintenance of the Affordability of the Existing Rental Stock:*** Rent regulations decrease the occurrence of sudden, abnormal, and "unfair" rent increases in times of limited vacancies, in times of general inflationary pressures, and in times of extreme speculative pressures in the land and housing markets. The aim is to prevent the existing stock from becoming increasingly unaffordable.

3) ***Prevention of Regressive Income Redistribution:*** If rents were allowed to rise simply because the market is unable to function normally, the owners of rental accommodation would benefit from their unique market position as owners of a scarce commodity that is not only in high demand but also a basic necessity. Rent regulations prevent or minimize the redistribution of income from tenants to owners of rental accommodation.

4) ***Mediation of Conflicts Relating to Rental Tenure:*** The most fundamental element of the landlord and tenant relationship is the rent itself. Rent regulations, not simply landlord and tenant legislation, establishes a more balanced power relationship. Only through rent regulations is the most important issue in the landlord and tenant relationship, changes in rents, negotiable before a public commission via established rules and procedures.

5. Where to Next? Define Policy Options

Is the City willing to take measures to ensure that there is a private rental sector in the future? Should renter households continue to be pushed out of the City or into crowded or inadequate accommodation in order to allow condominium conversions and demolitions to take their "natural" course? Three of the four major segments of the City's rental stock are threatened: the purpose-built rental apartments; the secondary suites in some neighbourhoods; and the rooming house stock in and near the Downtown Eastside neighbourhood.

This brief review of rental trends has pointed out that the private rental market has failed to function, that thousands of good rental units are being lost each year, and that there is a demand for rental housing that is not being addressed. Much of the newest private sector "rental" stock built under government programs between 1975 and 1984 is at risk. The total number of the purpose-built apartment and townhouse rental units are in rapid decline. This sector is not sustainable unless immediate regulatory action is taken.

The next largest segment of the rental stock is highly successful and dynamic yet it is "illegal." Secondary suites now account for more than twenty percent of the rental stock -- produced with no help from any level of government. A portion of this stock is inadequate and rehabilitation assistance may be appropriate in combination with building code enforcement.

The next largest part of the rental sector is social housing. Much of this stock is secure. It is a permanent part of Vancouver's affordable rental stock. Yet fewer and fewer new units are being added to this sector each year.

A characteristic of the secondary suites and much of the social housing stock is that both are the result of small scale initiatives -- either private or group-sponsored -- which lead to incremental gains in secure or reasonably secure affordable rental stock. These are the only parts of the City's rental stock which are increasing. This kind of household and community-based activity must be encouraged and supported.

Once a clearer understanding of what is happening to the City's rental stock becomes more widespread, it will be possible to begin to map out an overall strategy. What kind of actions at municipal, provincial and federal levels are required to protect, maintain and improve the quality and the quantity of the housing in each part of Vancouver's rental sector? As a first step, however, the rapid loss of the existing purpose-built rental stock must be stopped or there will be very little to protect, maintain and improve.

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Professor Hulchanski's areas of interest include the evolution of post-war housing programs, community development planning, comparative international housing and planning policy, and housing tenure issues and demographic trends.

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Selected Publications

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CENTRE FOR HUMAN SETTLEMENTS

J. David Hulchanski, Director

The UBC Centre for Human Settlements (CHS) was established following the 1976 United Nations Conference on Human Settlements held in Vancouver. The interest generated by the "Habitat Conference" led to the formation of a multi-disciplinary research centre within UBC's Faculty of Graduate Studies.

During the past 12 years CHS has pursued research in the broad field of human settlements, welcoming more than 70 visiting scholars, convening 40 research seminars, organizing 28 Habitat Lectures, and publishing 8 books and more than 50 research papers.

Since 1986 CHS has studied the nature and scale of homelessness in Canada within the framework of the International Year of Shelter for the Homeless. The Centre's research staff prepared the reports on homelessness which were submitted by the Canadian delegation to the United Nations Commission on Human Settlements in Nairobi.

In 1988 Dr. J. David Hulchanski, Associate Professor in the School of Community and Regional Planning, was appointed Director following a University review of the Centre's mandate.

The Centre is part of UBC's School of Community and Regional Planning. It reports to the School's Director, Dr. Alan F.J. Artibise, and to an inter-disciplinary governing council.

The aim of the Centre for Human Settlements is to undertake multi-disciplinary research and disseminate information on issues relating to housing, urban and regional development, urban governance, and community development planning. The Centre seeks to engage in policy relevant research which will help communities develop socially, economically and physically.

CHS research is aimed at identifying, studying and promoting processes by which communities can effectively shape and continually improve their own

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Research is focused on the following geographic areas: Canada, with a particular emphasis on British Columbia and northern Canada (northern B.C., Yukon and the Northwest Territories); and Australia, Japan and other Pacific Rim countries. CHS also responds to requests for research work in other areas of the world where CHS staff and UBC faculty have expertise.

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